

2008-2009 PERFORMANCE PLAN – Portfolio Manager, Fixed Income (J. Kourkoulakos)

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Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
40%	CalPERS Internally Managed Corporate Bonds	Net of Fees, excess return in basis points relative to: Internally Managed Corporate Bond Portfolio – CalPERS Corp X Sov {SN5KA1 – CALCOXS2}	0 basis points = 0 +40 basis points =1.0 +60 basis points =1.5
30%	CalPERS Domestic Fixed Income (FI), Internal	Net of Fees, excess return in basis points relative to: Domestic Fixed Income (FI), Internal – CalPERS Custom LEH LPF {SW4KA1 – CALCCLP2}	0 basis points = 0 +40 basis points =1.0 +60 basis points =1.5
5%	High Yield External Managers	Net of Fees, Excess return in basis points relative to: Aggregate of the external High Yield Managers – CalPERS High Yield Cash Pay {SWXCA1 – CALHYCP2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points =1.5
10%	Lehman Ag Credit	Lehman Ag Credit – Lehman Ag US Credit Index {SKA6 – QF1D}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5
85%	Subtotal	Qualitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	<p>Demonstrate a commitment to leadership and ongoing communication within the Investment Office and in the external investment community as follows:</p> <ul style="list-style-type: none"> • Employee Performance and Development – By 6/30/09 ensure 90% completion rate for annual performance appraisals and employee development plans. • Employee Mentoring and Recognition – By 6/30/09, take proactive steps to coach and mentor employees, provide succession planning, and acknowledge staff (e.g. through activities such as providing training and development opportunities, holding recognition events, and effectuating the transfer of knowledge) • 360 Feedback Process – <ul style="list-style-type: none"> • By 12/1/08 begin the individual 360 feedback survey assessment process. • By 2/1/09 identify one to two areas of personal development. 	From Schedule

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
	Leadership, cont.	<ul style="list-style-type: none"> By 6/30/09, participate in all personal coaching sessions provided and complete the development opportunity identified. Investment Office Strategic Initiatives and Cultural Alignment – Ensure the successful implementation of the strategy and cultural alignment efforts by completing the following: <ul style="list-style-type: none"> By 9/30/08, identify from our cultural profile an area in which we need to improve our culture and implement an improvement in my area by 3/30/09. By 12/31/08, participate in a cultural reinforcement session with the Investment Office. By 6/30/09, participate in the implementation of at least one Investment Office strategic initiative. By 6/30/09, contribute to healthy dynamics and cultural alignment in the Investment Office (e.g. by demonstrating productive participation in meetings, communicating across asset classes, and clearly setting and communicating priorities) External Investment Community – By 6/30/09, represent CalPERS in the external investment community through a meaningful and substantive engagement as follows: <ul style="list-style-type: none"> Serve on at least one external board or committee; or Conduct at least one presentation at conference or similar event; or Write an article. Diversity – By June 30, 2009, actively promote and achieve diversity among our investment partners and staff by doing at least two of the following: <ul style="list-style-type: none"> Participate in at least one event designed to recruit staff to CalPERS Participate in at least one outreach, education, or networking event that supports diversity in the public pension fund partner/manager community Identify and gain approval for a diversity related initiative or project in the Investment Office or in the CalPERS enterprise(e.g., identify and implement a new emerging manager program, suggest and obtain approval for an outreach or educational event, identify and eliminate a requirement in an existing program that may serve as an artificial hurdle for new and emerging firms, or identify and implement an expansion or enhancement to an existing diversity program or effort) 	
15%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	